

Frequently Asked Questions (FAQs)
Housing Choice Voucher Funding Estimates for Calendar Year 2005
December 17, 2004 Letter to PHAs

A. Housing Assistance Payments (HAP) Questions:

1. What annual adjustment factor (AAF) was used to calculate the initial projected HAP funding amount provided by the PHA in Attachment B of the December 17, 2004 letter?

HUD Response. In calculating the initial estimate of HAP funding for calendar year 2005 for a PHA, HUD used the particular FY 2005 AAF **without utilities** for the HA based on their locality. For the final calculations to be announced on January 21, 2005, the Department will be using the FY 2005 AAF factors **including utilities**. The AAFs that will be used to calculate the final 2005 budget for the PHA are available at HUD's website at <http://www.hud.gov/offices/pih/programs/hcv/index.cfm>.

2. HUD Notice PIH 2005-1 provides that HUD will pro-rate each PHA's calendar year budget to ensure that the amount allocated to PHAs does not exceed the amount appropriated. Has HUD pro-rated the projected HAP funding amount for Calendar Year 2005 provided to the PHA in Attachment B of the December 17, 2004 letter?

HUD Response. The initial estimate of HAP funding for calendar year 2005 provided to PHAs in Attachment B of the December 17, 2004 letter was pro-rated based on the initial total estimated amount needed to fund all PHA budgets. PHAs are reminded, however, that both the necessary pro-ration and the initial estimate of funding provided is subject to change based on whatever adjustments are necessary due to verified information submitted by PHAs in accordance with the December 17, 2004 letter.

3. May a PHA appeal the projected funding for calendar year 2005 provided by HUD on Attachment B of the December 17, 2004 letter?

HUD Response. There are no appeals of the calendar year 2005 funding estimates. The amounts provided in the December 17, 2004 letter (Attachment B) were preliminary estimates based on existing VMS data. All final calculations will be formula driven in compliance with the 2005 Appropriations Act. The purpose of the December 17, 2004 letter is to assure the accuracy and completeness of the VMS data HUD used to calculate the budgetary estimates. PHAs may only provide corrected information for UMAs, new funding increments effective subsequent to February 28, 2004, and additional leasing for HOPE VI or project-based vouchers. Also, material data discrepancies during the reporting period, along with supporting documentation should be submitted to HUD for review.

4. Does the Projected Funding Amounts for HAP estimated for Calendar Year 2005 on Attachment B include all voucher funding categories?

HUD Response. No. Mainstream 5-year voucher HAP funding (both the initial funding allocation and the renewal of the funding allocation) is funded and renewed out of a separate account and is not included in the projected amounts. Furthermore, these estimated amounts do not take into consideration any remaining funding for 2004 new increments that the PHA did not spend in calendar year 2004 (these increments were funded to cover a 12 month period). Accordingly, PHAs payment schedules with new increments in 2004, or five-year mainstream vouchers, will receive HAP payments that exceed the calendar year 2005 funding allocation.

B. Administrative Fees Questions:

1. Does the projected Funding Amount for administrative fees estimated for Calendar Year 2005 on Attachment B to the December 17, 2004 letter include all funding categories?

HUD response. No. Administrative fees for mainstream 5-year voucher funding (both the initial funding allocation and the renewal of the funding allocation) is funded and renewed out of a separate account and is not included in the projected amounts. Furthermore, these estimated amounts do not take into consideration administrative fee funding provided for 2004 new increments that the PHA did not spend in calendar year 2004. Accordingly, PHA payment schedules with new increments in 2004, or five-year mainstream vouchers, will receive administrative fee payments that exceed the calendar year 2005 funding allocation.

2. Have the estimated administrative fees for Calendar Year 2005 on Attachment B to the December 17, 2004 letter been pro-rated?

HUD response. Yes, the estimated administrative fees provided on Attachment B have been pro-rated. Keep in mind this number is a projection and may change when the final funding calculations have been completed.

The administrative fee allocation per the attached exhibit was arrived at based on a denominator calculated as follows:

	<u>2004</u>	<u>2005</u>
Appropriation	\$1.242 Billion	\$1.210 Billion
Congressionally Mandated Across the board cut	(.007) Billion	(.010) Billion
Net Appropriation	\$1.235 Billion	\$1.200 Billion
Less: Special fee allocation	(\$.050) Billion	(\$.025) Billion
Less: Set aside for Mod Rehab/tenant protection*	(\$.057) Billion	(\$.020) Billion
Less: Fees allocated for MTW entities	<u>N/A</u>	<u>(\$.068) Billion</u>
Net Allocation:	\$1.128 Billion	\$1.087 Billion **

* In FY 2005, Mod Rehab administrative fees are paid out of the Project-based Section 8 account.

** The calculations shown on your Exhibit for administrative fees are based on a \$1.055 Billion floor as the Department is allowing \$32 million or approximately 3% withholding to deal with any potential adjustments. If no adjustments are necessary, the entire amount will be allocated to all PHAs on January 21, 2005.

3. Did HUD hold back a percentage of the funding available for administrative fees in its initial estimated allocations provided on December 17, 2004?

HUD response. HUD held back approximately 3 percent of the administrative fee funding to cover potential adjustments to VMS data that may result from additional information submitted by PHAs and verified by HUD. This amount will be proportionately distributed if not needed to cover adjustments with the final funding calculation on or about January 21, 2005.

4. Will PHA audit costs be funded out of the \$25 million that the Act provides as additional funds for PHAs to administer their voucher programs?

HUD response. PHA audit costs will not be covered by these special fees. The Department will distribute these additional funds, until funds are depleted, for hard-to-house costs, excess costs resulting from federally declared disasters, housing conversions, homeownership program closings and lead-based paint testing and risk assessments. Eligibility for these categories remains the same as in prior years.

5. Does the calculation of the estimated amount in Attachment B for administrative fees include special one-time fees paid to the PHA in Fiscal Year 2004?

HUD response. No, the administrative fee calculation for Calendar Year 2005 does not include special one-time fees paid in Fiscal Year 2004, such as housing conversion fees, hard-to-house fees, etc.